

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2014

Table of Contents

Officials		<u>Page</u> 1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	14-15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Position	G	23
Statement of Revenues, Expenses, and Changes in Fund Net Position	H	24
Statement of Cash Flows	I	25
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	26
Statement of Changes in Fiduciary Net Position	K	27
Notes to Financial Statements		28-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		41
Notes to Required Supplementary Information - Budgetary Reporting		42
Schedule of Funding Progress for the Retiree Health Plan		43
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	2	46
Capital Project Accounts:		
Combining Balance Sheet	3	47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	4	48
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	49
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	50
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		51-52
Schedule of Findings and Responses		53-55

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

Board of Education

(Before September 2013 Election)

Heather Schulte	President	2013
Bobbie Goetzinger	Vice President	2015
Daniel Porter	Board Member	2015
Bruce Palmborg	Board Member	2015
Susan Stirn	Board Member	2013

(After September 2013 Election)

Heather Schulte	President	2017
Bobbie Goetzinger	Vice President	2015
Daniel Porter	Board Member	2015
Bruce Palmborg	Board Member	2015
Melanie Mauss	Board Member	2017

School Officials

Dr. Dale Crozier	Superintendent
Janet Heiderscheit	District Secretary/Treasurer
Marion Verdon	District Secretary/Treasurer

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
Eastern Allamakee Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eastern Allamakee Community School District, Lansing, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eastern Allamakee Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eastern Allamakee Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2015, on our consideration of Eastern Allamakee Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Eastern Allamakee Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 27, 2015

MANAGEMENTS DISCUSSION AND ANALYSIS

This section of the Eastern Allamakee Community School District's GASB 34 annual financial report presents its discussion and analysis of the district's financial performance during the fiscal year ended June 30, 2014. The analysis focuses on the district's financial performance as a whole.

Please read it in conjunction with District's financial statements, which immediately follow this section.

2014 FINANCIAL HIGHLIGHTS

The general fund revenues decreased from \$4,247,052 in fiscal 2013 to 3,960,280 in fiscal year 2014; while the general fund expenditures increased from \$4,091,452 in fiscal 2013 to \$4,130,696. This resulted in a decrease in the district's general fund balance of \$1,091,135 in fiscal 2013 to \$920,719 in fiscal year 2014. That is a decrease of 15.6 percent from the previous year.

The decrease in general fund revenues was attributed to declining enrollment. The increase in expenditures was attributed to an increase in the cost of support services.

The district receives Statewide Sales Tax that is being used for repayment of the Sales, Service and Use tax Revenue bonds issued to construct the Sports Complex, renovation of the Softball field, lease of buses and other building repairs.

USING THIS ANNUAL REPORT

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

The first two statements are *government-wide financial* statements that provide both short-term and long-term information about the district's overall financial status.

The remaining statements are fund *financial statements* that focus on the individual parts of the district, reporting the district's operations in more detail than the government-wide statements.

The *government funds* statements explain how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about the activities the district operates like businesses, such as food services.

Fiduciary fund statements provide financial information about activities for which Eastern Allamakee Community School District acts solely as an agent or custodian for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

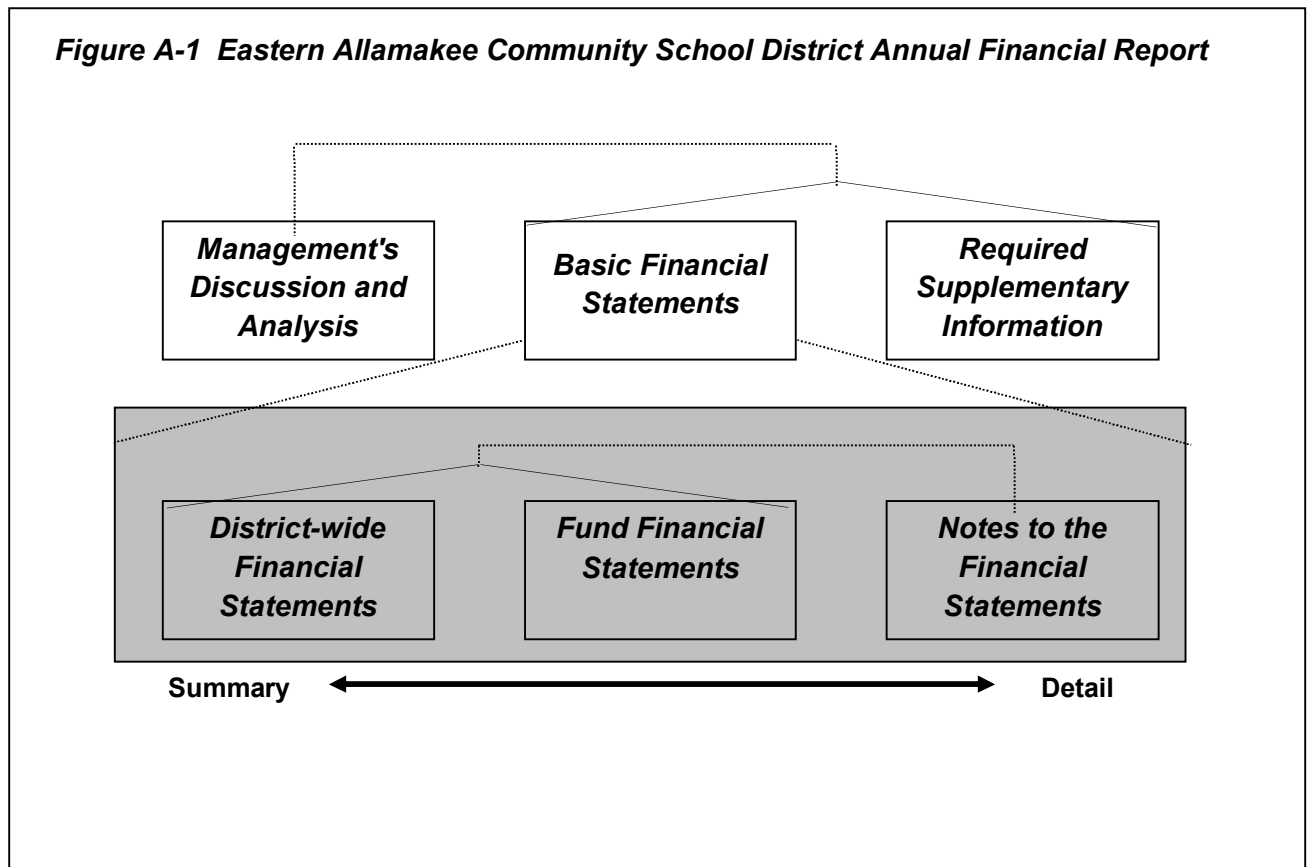


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the Government-wide financial statements, the District's activities are divided into two categories.

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

1. *Government Funds:* Most of the District's basic services are included in government funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the government funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Fund, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3. *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund . The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3

	Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,391,917	8,106,947	15,651	6,849	4,407,568	8,113,796	-45.68%
Capital assets	7,501,874	7,594,154	23,775	27,916	7,525,649	7,622,070	-1.27%
Total assets	11,893,791	15,701,101	39,426	34,765	11,933,217	15,735,866	-24.17%
Long-term liabilities	4,515,031	8,423,791	5,190	3,855	4,520,221	8,427,646	-46.36%
Other liabilities	478,077	496,107	15,412	15,932	493,489	512,039	-3.62%
Total liabilities	4,993,108	11,079,408	20,602	22,162	5,013,710	11,101,570	-54.84%
Deferred inflows of resources	2,149,357	2,159,510	2,992	2,375	2,152,349	2,161,885	-0.44%
Net Position:							
Net investment in capital assets	3,191,874	2,919,154	23,775	27,916	3,215,649	2,947,070	9.11%
Restricted	759,216	634,092	-	-	759,216	634,092	19.73%
Unrestricted	800,236	1,068,447	(7,943)	(15,313)	792,293	1,053,134	-24.77%
TOTAL NET POSITION	4,751,326	4,621,693	15,832	12,603	4,767,158	4,634,296	2.87%

The District's total net position showed an increase overall for the year ending June 30, 2014 compared to June 30, 2013. The increase was in two areas: net investment in capital assets and restricted net assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased over the previous year. The change was due to the sales tax revenue bonds capital projects as they are being paid off, and to the refinancing of the general revenue bonds, and SILO bond.

Unrestricted net position . the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . decreased \$260,841 or 25%.

Figure A-4 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

	Change in Net Assets						Percentage Change 2013-2014
	Governmental Activities		Business-type Activities		Total School District		
	2014	2013	2014	2013	2014	2013	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	426,108	471,970	132,051	127,119	558,159	599,089	-6.83%
Operating grants & contributions	655,332	661,646	108,060	97,889	763,392	759,535	0.51%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	2,182,159	2,318,274	-	-	2,182,159	2,318,274	-5.87%
Income surtax	167,580	171,916	-	-	167,580	171,916	-2.52%
Statewide sales & services tax	330,872	283,691	-	-	330,872	283,691	16.63%
Unrestricted state grants	1,253,323	1,419,649	-	-	1,253,323	1,419,649	-11.72%
Unrestricted investment earnings	6,966	7,151	85	115	7,051	7,266	-2.96%
Other revenue	4,195	1,165	-	-	4,195	1,165	260.09%
Total Revenues	5,026,535	5,335,462	240,196	225,123	5,266,731	5,560,585	-5.28%
Expenses:							
Instruction	2,590,705	2,802,480	-	-	2,590,705	2,802,480	-7.56%
Support services	1,509,782	1,471,712	-	-	1,509,782	1,471,712	2.59%
Non-instructional programs	1,433	1,277	236,967	247,519	238,400	248,796	-4.18%
Other expenditures	774,523	656,089	-	-	774,523	656,089	18.05%
Total expenses	4,876,443	4,931,558	236,967	247,519	5,113,410	5,179,077	-1.27%
Change in net position before loss on fixed assets	150,092	403,904	3,229	(22,396)	153,321	381,508	-59.81%
Loss on fixed assets	(20,459)	(10,614)	-	10,614	(20,459)	-	
CHANGE IN NET POSITION	129,633	393,290	3,229	(11,782)	132,862	381,508	-65.17%
Net assets beginning of year	4,621,693	4,228,403	12,603	24,385	4,634,296	4,252,788	8.97%
Net assets end of year	4,751,326	4,621,693	15,832	12,603	4,767,158	4,634,296	2.87%

For the 2013-2014 school year property tax and unrestricted state grants account for 65 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 80 percent of total expenses. (See Figure A-4 Governmental Revenues and Governmental Expenditures)

Governmental Activities

Revenues for governmental activities were \$5,026,535 while expenses amounted to \$4,876,443.

The following table presents the total and net cost of District's major governmental activities: instruction, support services, non-instructional programs and other expense

Figure A-5

	Total and Net Cost of Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost Of Services
	2014	2013	2014	2013
	\$	\$	\$	\$
Instruction	2,590,705	2,802,480	1,705,529	1,851,146
Support Services	1,509,782	1,471,712	1,489,162	1,461,908
Non-instructional Programs	1,433	1,277	1,433	1,277
Other Expenses	774,523	656,089	598,879	483,611
TOTAL	4,876,443	4,931,558	3,795,003	3,797,942

A portion of the cost financed by users of the District's programs was \$426,108.

The federal and state government subsidized certain programs with grants and contributions totaling \$655,332.

The net cost portion of governmental activities was financed with \$2,680,611 in property and other taxes and \$1,253,323 in unrestricted state foundation aid.

Business-Type Activities

Revenues of the District's business-type activities were \$24,096 and expenses were \$236,967 for a loss of \$3,229. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Eastern Allamakee Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,497,034 below last year's ending fund balances of \$5,203,273.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. The fund realized a decrease with revenue less and expenditures greater than fiscal year 2013. As predicted, there was a small decrease in the overall fund balance in fiscal year 2014. This trend may continue, due to declining enrollment being the major contributor to this situation. The increase in expenditures is from the negotiated salary & benefits settlement; however the salary settlement was below the state average, and the total staff FTE has been reduced slightly. The District looks at all funding to work to remain solvent at year's end.
- The General Fund balance decreased from \$1,091,135 to \$920,719.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.

- The Physical Plant and Equipment Levy account balance increased from \$78,965 at June 30, 2013 to \$131,554 at June 30, 2014.
- The Statewide Sales Tax account balance decreased from \$261,932 at June 30, 2013 to \$194,565 at June 30, 2014.
- The Debt Service Fund balance decreased from \$3,549,475 at the beginning of the year to \$6,641 at the end of the year.

Proprietary Fund Highlights

The school nutrition fund increased by an amount of \$3,229 from June 30, 2013 to June 30, 2014. This left the account with a total net position of \$15,832 or a decrease of 26%.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Directors annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District amended its budget one time to reflect additional expenditures in the instruction, support services and non-instructional programs functions. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund and Capital Projects Funds. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

The budget was amended during the year to increase budgeted expenditures by \$1,590,000

Capital Assets

At June 30, 2014, the District had invested approximately \$7.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-6) This represents a net decrease of 1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$335,220.

Figure A-6

Figure A-6

	Capital Assets (net of depreciation)						
	Governmental		Business type		Total		Percentage
	Activities		Activities		School District		Change
	2013	2014	2013	2014	2013	2014	2013-2014
	\$	\$	\$	\$	\$	\$	
Land	7,167	7,167	-	-	7,167	7,167	0%
Construction in progress	35,197	-	-	-	35,197	-	-100%
Buildings	6,419,861	6,237,630	-	-	6,419,861	6,237,630	-2.84%
Improvements	714,580	847,965	-	-	714,580	847,965	18.66%
Equipment & Furniture	417,349	409,112	27,916	23,775	445,265	432,887	-2.78%
TOTAL	7,594,154	7,501,874	27,916	23,775	7,622,070	7,525,649	-1.27%

Long Term Debt

At year-end, the District had \$4,456,172 in general obligation bonds, revenue bonds, termination benefits, compensated absences and net OPEB liability. This represents a decrease of \$3,900,309 from year 2013.

In 2013, the district re-financed the bonded debt at a lower interest rate. The first bonds were paid off in May of 2014 by using the refunding bonds thus the reduction in the amount of remaining debt.

Figure A-7
Outstanding Long-Term Obligations

	Total Eastern Allamakee CSD		Percentage
	2013	2014	Change
	\$	\$	2013-2014
Governmental activities:			
General obligation bonds	7,145,000	3,510,000	-50.87%
Revenue bonds	1,040,000	800,000	-23.08%
Termination benefits	111,991	67,657	-39.59%
Compensated absences	6,373	6,713	5.34%
Net OPEB liability	49,262	66,612	35.22%
	<u>8,352,626</u>	<u>4,450,982</u>	<u>-46.71%</u>
Business type activities:			
Net OPEB liability	<u>3,855</u>	<u>5,190</u>	<u>34.63%</u>

Factors Bearing on the District's Future

At the time these financial statements were prepared, the District is aware of circumstances that could significantly affect its financial health in the future:

The district is concerned with declining student enrollment. The district is aware that the incoming kindergarten classes are significantly smaller than the classes graduating, thus causing a decrease in enrollment in the future years.

The district recognizes that the lower percent of supplemental state aid has a significant bearing on the district's financial health.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and private investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Marian Verdon or Janet Heiderscheidt, School Board Secretaries/Treasurers/Business Managers, or Dale Crozier, Superintendent; Eastern Allamakee Community School District, 569 Center Street, Lansing, IA 52151.

BASIC FINANCIAL STATEMENTS

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	1,730,870	11,161	1,742,031
Receivables:			
Property tax:			
Delinquent	19,286	-	19,286
Succeeding year	2,149,357	-	2,149,357
Accounts	184	2,718	2,902
Due from other governments	364,902	-	364,902
Inventories	-	1,772	1,772
Prepaid expenses	1,183	-	1,183
Bond issue costs	126,135	-	126,135
Capital assets, net of accumulated depreciation	7,501,874	23,775	7,525,649
Total assets	11,893,791	39,426	11,933,217
Liabilities			
Accounts payable	61,373	18	61,391
Salaries and benefits payable	382,070	15,394	397,464
Due to other governments	14,888	-	14,888
Accrued interest payable	19,746	-	19,746
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	335,000	-	335,000
Revenue bonds payable	20,000	-	20,000
Termination benefits	39,396	-	39,396
Compensated absences	2,237	-	2,237
Portion due after one year:			
General obligation bonds payable	3,175,000	-	3,175,000
Bond premium	64,049	-	64,049
Revenue bonds payable	780,000	-	780,000
Termination benefits	28,261	-	28,261
Compensated absences	4,476	-	4,476
Net OPEB liability	66,612	5,190	71,802
Total liabilities	4,993,108	20,602	5,013,710
Deferred Inflows of Resources:			
Unavailable property tax revenue	2,149,357	-	2,149,357
Other	-	2,992	2,992
	2,149,357	2,992	2,152,349
Net position			

See notes to financial statements.

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net investment in capital assets	3,191,874	23,775	3,215,649
Restricted for:			
Categorical funding	258,382	-	258,382
Management levy	102,700	-	102,700
Physical plant and equipment levy	131,554	-	131,554
For special purposes by donors	37,137	-	37,137
Student activities	34,878	-	34,878
School Infrastructure	194,565	-	194,565
Unrestricted	800,236	(7,943)	792,293
Total net position	4,751,326	15,832	4,767,158

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,790,357	178,428	338,714	-
Special	347,498	115,044	29,038	-
Other	452,850	104,155	119,797	-
	<u>2,590,705</u>	<u>397,627</u>	<u>487,549</u>	<u>-</u>
Support services:				
Student	151,510	450	-	-
Instructional staff	192,861	-	-	-
Administration	429,212	15,000	-	-
Operation and maintenance of plant	467,567	1,234	-	-
Transportation	268,632	3,936	-	-
	<u>1,509,782</u>	<u>20,620</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>1,433</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	158,928	745	-	-
Long-term debt interest	229,325	7,116	9,847	-
AEA flowthrough	157,936	-	157,936	-
Depreciation(unallocated)*	228,334	-	-	-
	<u>774,523</u>	<u>7,861</u>	<u>167,783</u>	<u>-</u>
Total governmental activities	<u>4,876,443</u>	<u>426,108</u>	<u>655,332</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>236,967</u>	<u>132,051</u>	<u>108,060</u>	<u>-</u>
Total	<u>5,113,410</u>	<u>558,159</u>	<u>763,392</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services, and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Loss on fixed assets				
Total general revenues and loss				
Change in net position				
Net position beginning of year				
Net position end of year				

*This amount excludes the depreciation that is included in the direct expense of the various programs.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,273,215)	-	(1,273,215)
(203,416)	-	(203,416)
(228,898)	-	(228,898)
(1,705,529)	-	(1,705,529)
(151,060)	-	(151,060)
(192,861)	-	(192,861)
(414,212)	-	(414,212)
(466,333)	-	(466,333)
(264,696)	-	(264,696)
(1,489,162)	-	(1,489,162)
(1,433)	-	(1,433)
(158,183)	-	(158,183)
(212,362)	-	(212,362)
-	-	-
(228,334)	-	(228,334)
(598,879)	-	(598,879)
(3,795,003)	-	(3,795,003)
-	3,144	3,144
(3,795,003)	3,144	(3,791,859)
1,741,271	-	1,741,271
378,445	-	378,445
62,443	-	62,443
167,580	-	167,580
330,872	-	330,872
1,253,323	-	1,253,323
6,966	85	7,051
4,195	-	4,195
3,945,095	85	3,945,180
(20,459)	-	(20,459)
3,924,636	85	3,924,721
129,633	3,229	132,862
4,621,693	12,603	4,634,296
4,751,326	15,832	4,767,158

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2014

	General	Debt Service	Nonmajor Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Assets					
Cash, cash equivalents and pooled investments	1,214,676	3,300	271,717	241,177	1,730,870
Receivables:					
Property tax:					
Delinquent	14,054	3,341	551	1,340	19,286
Succeeding year	1,525,783	385,042	63,532	175,000	2,149,357
Accounts	184	-	-	-	184
Due from other governments	262,164	-	102,738	-	364,902
Prepaid expenditures	-	-	-	1,183	1,183
Total assets	3,016,861	391,683	438,538	418,700	4,265,782
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	12,411	-	48,887	75	61,373
Salaries and benefits payable	382,070	-	-	-	382,070
Due to other governments	14,818	-	-	70	14,888
Total liabilities	409,299	-	48,887	145	458,331
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,525,783	385,042	63,532	175,000	2,149,357
Income surtax	161,060	-	-	-	161,060
Total deferred inflows of resources	1,686,843	385,042	63,532	175,000	2,310,417
Fund balances:					
Nonspendable:					
Prepaid expenditures	-	-	-	1,183	1,183
Restricted for:					
Categorical funding	258,382	-	-	-	258,382
Debt service	-	8,035	-	-	8,035
Special purposes by donor	-	-	-	37,137	37,137
Management levy	-	-	-	170,357	170,357
Student activities	-	-	-	34,878	34,878
School infrastructure	-	-	194,565	-	194,565
Physical plant and equipment	-	-	131,554	-	131,554
Unassigned	662,337	(1,394)	-	-	660,943
Total fund balances	920,719	6,641	326,119	243,555	1,497,034
Total liabilities, deferred inflows of resources and fund balances	3,016,861	391,683	438,538	418,700	4,265,782

See notes to financial statements.

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2014

	\$
Total fund balances of governmental funds (Exhibit C)	1,497,034
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,501,874
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	161,060
Bond issue costs are expensed when incurred in the governmental fund financial statements, but for the government-wide financial statements they are capitalized and amortized over the life of the bonds.	126,135
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(19,746)
Long-term liabilities, including bonds payable, unamortized bond premiums, compensated absences, termination benefits, and other postemployment benefits are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.	<u>(4,515,031)</u>
Net position of governmental activities (Exhibit A)	<u><u>4,751,326</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	General	Debt	Nonmajor	Nonmajor	Total
	<u>\$</u>	<u>Service</u>	<u>Capital</u>	<u>Governmental</u>	<u>\$</u>
	<u>\$</u>	<u>\$</u>	<u>Projects</u>	<u>\$</u>	<u>\$</u>
Revenues:					
Local sources:					
Local tax	1,755,687	378,445	62,443	151,600	2,348,175
Tuition	249,217	-	-	-	249,217
Other	57,906	9,847	2,031	120,999	190,783
Intermediate sources	91	-	-	-	91
State sources	1,778,123	204	330,906	82	2,109,315
Federal sources	119,256	650	107	261	120,274
Total revenues	<u>3,960,280</u>	<u>389,146</u>	<u>395,487</u>	<u>272,942</u>	<u>5,017,855</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,722,079	-	-	64,327	1,786,406
Special	344,384	-	-	-	344,384
Other	510,581	-	-	113,147	623,728
	<u>2,577,044</u>	<u>-</u>	<u>-</u>	<u>177,474</u>	<u>2,754,518</u>
Support services:					
Student	147,747	-	2,515	358	150,620
Instructional staff	132,248	-	58,649	1,074	191,971
Administration	414,515	-	-	6,461	420,976
Operation and maintenance of plant	424,780	-	-	45,901	470,681
Transportation	276,426	-	-	18,452	294,878
	<u>1,395,716</u>	<u>-</u>	<u>61,164</u>	<u>72,246</u>	<u>1,529,126</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,433</u>	<u>1,433</u>
Other expenditures:					
Facilities acquisition	-	-	158,928	-	158,928
Long-term debt:					
Principal	-	4,675,000	-	-	4,675,000
Interest and fiscal charges	-	247,153	-	-	247,153
AEA flowthrough	157,936	-	-	-	157,936
	<u>157,936</u>	<u>4,922,153</u>	<u>158,928</u>	<u>-</u>	<u>5,239,017</u>
Total expenditures	<u>4,130,696</u>	<u>4,922,153</u>	<u>220,092</u>	<u>251,153</u>	<u>9,524,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(170,416)</u>	<u>(4,533,007)</u>	<u>175,395</u>	<u>21,789</u>	<u>(4,506,239)</u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	General	Debt	Nonmajor	Nonmajor	Total
	<u> </u>	<u>Service</u>	<u>Capital</u>	<u>Governmental</u>	<u> </u>
	\$	\$	Projects	\$	\$
Other financing sources (uses):					
Refunding bonds issued	-	800,000	-	-	800,000
Operating transfers in	-	190,173	-	-	190,173
Operating transfers out	-	-	(190,173)	-	(190,173)
Total other financing sources (uses)	<u>-</u>	<u>990,173</u>	<u>(190,173)</u>	<u>-</u>	<u>800,000</u>
Change in fund balances	(170,416)	(3,542,834)	(14,778)	21,789	(3,706,239)
Fund balances beginning of year	<u>1,091,135</u>	<u>3,549,475</u>	<u>340,897</u>	<u>221,766</u>	<u>5,203,273</u>
Fund balances end of year	<u>920,719</u>	<u>6,641</u>	<u>326,119</u>	<u>243,555</u>	<u>1,497,034</u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2014

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		(3,706,239)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Loss on Disposal of Assets	(20,459)	
Expenditures for capital assets	259,258	
Depreciation expense	<u>(331,079)</u>	(92,280)
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		1,564
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		4,675,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		31,843
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	44,334	
Compensated absences	(340)	
Other postemployment benefits	<u>(17,350)</u>	26,644
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Position.		(800,000)
For governmental fund financial statements bond premiums are recorded as revenue when received, but for the Statement of Activities bond premiums are amortized over the life of the bonds.		7,116
For governmental fund financial statements bond issue costs are recorded as an expenditure when incurred, but for the Statement of Activities bond issue costs are capitalized and amortized over the life of the bonds.		<u>(14,015)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>129,633</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Fund

June 30, 2014

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	11,161
Accounts receivable	2,718
Inventories	1,772
Total current assets	<u>15,651</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>23,775</u>
Total assets	<u>39,426</u>
Liabilities	
Current liabilities:	
Accounts payable	18
Salaries and benefits payable	15,394
Deferred revenue	2,992
Total current liabilities	<u>18,404</u>
Noncurrent liabilities:	
Net OPEB liability	<u>5,190</u>
Total liabilities	<u>23,594</u>
Net position	
Investment in capital assets	23,775
Unrestricted	<u>(7,943)</u>
Total net position	<u><u>15,832</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2014

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>132,051</u>
Operating expenses:	
Non-instructional programs:	
Salaries	79,190
Benefits	41,705
Purchased services	206
Supplies	111,725
Depreciation	4,141
Total operating expenses	<u>236,967</u>
Operating income (loss)	<u>(104,916)</u>
Non-operating revenues:	
State sources	1,787
Federal sources	106,273
Interest income	85
Total non-operating revenues	<u>108,145</u>
Change in net position	3,229
Net position beginning of year	<u>12,603</u>
Net position end of year	<u><u>15,832</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2014

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	133,754
Cash paid to employees for services	(120,098)
Cash paid to suppliers for goods or services	(94,551)
Net cash used by operating activities	<u>(80,895)</u>
Cash flows from non-capital financing activities:	
State grants received	1,787
Federal grants received	89,494
Net cash provided by non-capital financing activities	<u>91,281</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>85</u>
Net increase (decrease) in cash and cash equivalents	10,471
Cash and cash equivalents at beginning of year	<u>690</u>
Cash and cash equivalents at end of year	<u><u>11,161</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(104,916)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	16,779
Depreciation	4,141
Decrease (increase) in inventories	583
Decrease (increase) in accounts receivable	1,086
(Decrease) increase in accounts payable	18
(Decrease) increase in salaries and benefits payable	(538)
(Decrease) increase in deferred revenue	617
(Decrease) increase in other postemployment benefits	1,335
Net cash used by operating activities	<u><u>(80,895)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$16,779 of federal commodities.

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Fund

June 30, 2014

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash, cash equivalents and pooled investments	193,206
Liabilities	
	<u>-</u>
Net Position	
Reserved for scholarships	<u><u>193,206</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Fund

Year ended June 30, 2014

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	1,344
Deductions	
Support services:	
Scholarships awarded	<u>4,000</u>
Change in net position	(2,656)
Net position beginning of year	<u>195,862</u>
Net position end of year	<u><u>193,206</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

1. Summary of Significant Accounting Policies

Eastern Allamakee Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Lansing and New Albin, Iowa and the predominately agricultural territory in a portion of Allamakee County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Eastern Allamakee Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) The potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Eastern Allamakee Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets, consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds, which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	15-50 years
Improvements other than buildings	10-20 years
Intangibles	3-40 years
Furniture and equipment	5-25 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable . Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation days for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for used vacation days. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources . Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

E. Budget and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures did not exceed the amended amounts budgeted.

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had an investment in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio, which is valued at an amortized cost of \$17,018 pursuant to Rule

2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Nonmajor Capital Projects Fund	190,173

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	7,167	-	-	7,167
Construction in progress	35,197	-	35,197	-
	<u>42,364</u>	<u>-</u>	<u>35,197</u>	<u>7,167</u>
Capital assets being depreciated:				
Buildings	8,713,580	2,515	-	8,716,095
Improvements other than buildings	831,464	176,973	-	1,008,437
Furniture and equipment	934,835	79,770	31,062	983,543
Total capital assets being deprec.	<u>10,479,879</u>	<u>259,258</u>	<u>31,062</u>	<u>10,708,075</u>
Less accumulated depreciation for:				
Buildings	2,293,719	184,746	-	2,478,465
Improvements other than buildings	116,884	43,588	-	160,472
Furniture and equipment	517,486	102,745	45,800	574,431
Total accumulated depreciation	<u>2,928,089</u>	<u>331,079</u>	<u>45,800</u>	<u>3,213,368</u>
Total capital assets being depreciated, net	<u>7,551,790</u>	<u>(71,821)</u>	<u>(14,738)</u>	<u>7,494,707</u>
Governmental activities capital assets, net	<u>7,594,154</u>	<u>(71,821)</u>	<u>20,459</u>	<u>7,501,874</u>
Business type activities:				
Furniture and equipment	194,052	-	-	194,052
Less accumulated depreciation	<u>166,136</u>	<u>4,141</u>	<u>-</u>	<u>170,277</u>
Business type activities capital assets, net	<u>27,916</u>	<u>(4,141)</u>	<u>-</u>	<u>23,775</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	75,297
Other	6,260
Support services:	
Administration	5,567
Operation and maintenance of plant	2,627
Transportation	12,994
	<hr/> 102,745
Unallocated depreciation	<hr/> 228,334
Total depreciation expense . governmental activities	<hr/> <hr/> 331,079
Business type activities:	
Food services	<hr/> <hr/> 4,141

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities					
General obligation bonds	7,145,000	-	3,635,000	3,510,000	335,000
Revenue bonds	1,040,000	800,000	1,040,000	800,000	20,000
Termination benefits	111,991	2,475	46,809	67,657	39,396
Compensated absences	6,373	1,933	1,593	6,713	2,237
Net OPEB liability	49,262	17,350	-	66,612	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	8,352,626	821,758	4,723,402	4,450,982	396,633
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Business type activities:					
Net OPEB liability	3,855	1,335	-	5,190	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Termination Benefits

The District offered a voluntary early retirement plan to its employees. To qualify the eligible employee must be age 55 or older and have 15 years of service with the Eastern Allamakee Community School District. The application for early retirement was subject to approval by the Board of Education.

At June 30, 2014, the District has an obligation to six participants with a total liability of \$67,657. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$46,809.

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Crossover Refunding Bond Issue of March 2012				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	.50-.55	335,000	46,018	381,018
2016	.65-.75	340,000	44,117	384,117
2017	.80-.90	340,000	41,610	381,610
2018	1.00-1.10	340,000	38,550	378,550
2019-2023	1.20-1.95	1,780,000	123,076	1,903,076
2024	2.00-2.10	375,000	5,840	380,840
Total		3,510,000	299,211	3,809,211

Bond Refunding

In March 2012, the District issued \$3,510,000 of general obligation crossover refunding bonds with interest rates ranging between .50% and 2.1%. The District issued the bonds to refund \$3,370,000 of the outstanding November 2004 general obligation bonds with interest rates of 4.00% to 4.375%. The District will use the net proceeds to call and pay the balance of the 2004 bond issue on May 1, 2014.

The refunding reduced total debt service payments over the next twelve years by \$356,432. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$319,572.

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of 2013				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	2.80	20,000	22,928	42,928
2016	2.80	70,000	20,860	90,860
2017	2.80	90,000	18,620	108,620
2018	2.80	90,000	16,100	106,100
2019	2.80	100,000	13,440	113,440
2020-2024	2.80	430,000	34,580	464,580
		800,000	126,528	926,528

The District has pledged future statewide sales, services and use tax revenues to repay the \$800,000 bonds issued in 2013. The bonds were issued for the purpose of financing a portion of school infrastructure costs. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2024. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$926,528.

6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$213,480, \$204,606 and \$184,907 respectively, equal to the required contributions for each year.

7. Lease Commitment

The District entered into a four year contract to lease five busses in fiscal year 2014. The payments the District will make over the next three years are as follows:

Year Ended June 30	Lease Payment \$
2015	27,027
2016	27,027
2017	172,500

\$27,027 of lease payments were made during fiscal year 2014.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 42 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan where employees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	26,077
Interest on net OPEB obligation	1,327
Adjustment to annual required contribution	(4,160)
Annual OPEB cost	23,244
Contributions made	4,559
Increase in net OPEB obligation	18,685
Net OPEB obligation beginning of year	53,117
Net OPEB obligation end of year	71,802

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$4,559 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost \$	Percentage of Annual OPEB Cost Contributed %	Net OPEB Obligation \$
June 30, 2010	15,514	23%	11,899
June 30, 2011	15,713	28%	23,168
June 30, 2012	16,857	33%	34,527
June 30, 2013	23,133	20%	53,117
June 30, 2014	23,244	20%	71,802

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$157,580, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$157,580. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,540,000, and the ratio of the UAAL to covered payroll was 10.2%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to

reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the Frozen Entry Age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

9. Risk Management

Eastern Allamakee Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$157,936 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Deficit Fund Balances

At June 30, 2014 the District's Nonmajor School Nutrition Fund has a deficit unrestricted net position of \$7,943.

12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	29,610
At-risk dropout prevention	60,932
Mentoring	4,325
Teacher salary supplement	5,171
Early literacy	14,277
Teacher leadership	2,268
Core curriculum	9,770
Educator quality, professional development	33,169
Statewide voluntary preschool program	98,860
	<u>258,382</u>

13. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the State of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2014

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original \$	Amended Final \$	\$
Revenues:						
Local sources	2,788,175	132,136	2,920,311	3,256,474	3,256,474	(336,163)
Intermediate sources	91	-	91	1,000	1,000	(909)
State sources	2,109,315	1,787	2,111,102	1,728,259	1,728,259	382,843
Federal sources	120,274	106,273	226,547	258,100	258,100	(31,553)
Total revenues	<u>5,017,855</u>	<u>240,196</u>	<u>5,258,051</u>	<u>5,243,833</u>	<u>5,243,833</u>	<u>14,218</u>
Expenditures/Expenses:						
Instruction	2,754,518	-	2,754,518	3,293,263	3,293,263	538,745
Support services	1,529,126	-	1,529,126	1,609,000	1,609,000	79,874
Non-instructional programs	1,433	236,967	238,400	271,200	361,200	122,800
Other expenditures	5,239,017	-	5,239,017	4,177,543	5,677,543	438,526
Total expenditures/expenses	<u>9,524,094</u>	<u>236,967</u>	<u>9,761,061</u>	<u>9,351,006</u>	<u>10,941,006</u>	<u>1,179,945</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(4,506,239)	3,229	(4,503,010)	(4,107,173)	(5,697,173)	1,194,163
Other financing sources (uses) net	<u>800,000</u>	<u>-</u>	<u>800,000</u>	<u>-</u>	<u>-</u>	<u>800,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(3,706,239)	3,229	(3,703,010)	(4,107,173)	(5,697,173)	1,994,163
Balance beginning of year	<u>5,203,273</u>	<u>12,603</u>	<u>5,215,876</u>	<u>5,104,060</u>	<u>5,104,060</u>	<u>111,816</u>
Balance end of year	<u><u>1,497,034</u></u>	<u><u>15,832</u></u>	<u><u>1,512,866</u></u>	<u><u>996,887</u></u>	<u><u>(593,113)</u></u>	<u><u>2,105,979</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,590,000.

During the year ended June 30, 2014, expenditures did not exceed the amended amounts budgeted.

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	122,746	122,746	0.0%	1,300,000	9.4%
2011	July 1, 2009	-	120,633	120,633	0.0%	1,340,000	9.0%
2012	July 1, 2009	-	112,957	112,957	0.0%	1,240,000	9.1%
2013	July 1, 2012	-	161,126	161,126	0.0%	1,350,000	11.9%
2014	July 1, 2012	-	157,580	157,580	0.0%	1,540,000	10.2%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

Assets	Special Revenue Funds			Total
	Management	Student	District	
	Levy	Activity	Support	
	\$	\$	Trust	\$
Cash, cash equivalents and pooled investments	169,017	35,023	37,137	241,177
Receivables:				
Property tax:				
Delinquent	1,340	-	-	1,340
Succeeding year	175,000	-	-	175,000
Prepaid expenditures	1,183	-	-	1,183
Total assets	346,540	35,023	37,137	418,700
Liabilities, Deferred Inflows of Resources & Fund Balances				
Liabilities:				
Accounts payable	-	75	-	75
Due to other governments	-	70	-	70
Total liabilities	-	145	-	145
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	175,000	-	-	175,000
Fund balances:				
Nonspendable prepaid expenditures	1,183	-	-	1,183
Restricted for:				
Special purposes by donor	-	-	37,137	37,137
Management levy	170,357	-	-	170,357
Student activities	-	34,878	-	34,878
Total fund balances	171,540	34,878	37,137	243,555
Total liabilities, deferred inflows of resources and fund balances	346,540	35,023	37,137	418,700

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2014

	Special Revenue Funds			Total
	Management	Student	District	
	Levy	Activity	Support Trust	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	151,600	-	-	151,600
Other	4,634	116,259	106	120,999
State sources	82	-	-	82
Federal sources	261	-	-	261
Total revenues	<u>156,577</u>	<u>116,259</u>	<u>106</u>	<u>272,942</u>
Expenditures:				
Current:				
Instruction:				
Regular	64,327	-	-	64,327
Other	-	113,147	-	113,147
Support services:				
Student	358	-	-	358
Instructional staff	1,074	-	-	1,074
Administration	6,461	-	-	6,461
Operation and maintenance of plant	45,431	470	-	45,901
Transportation	18,452	-	-	18,452
Non-instructional programs	1,433	-	-	1,433
Total expenditures	<u>137,536</u>	<u>113,617</u>	<u>-</u>	<u>251,153</u>
Change in fund balances	19,041	2,642	106	21,789
Fund balances beginning of year	<u>152,499</u>	<u>32,236</u>	<u>37,031</u>	<u>221,766</u>
Fund balances end of year	<u>171,540</u>	<u>34,878</u>	<u>37,137</u>	<u>243,555</u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash and pooled investments	140,714	131,003	271,717
Receivables:			
Property tax:			
Delinquent	-	551	551
Succeeding year	-	63,532	63,532
Due from other governments	102,738	-	102,738
Total assets	243,452	195,086	438,538
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	48,887	-	48,887
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	63,532	63,532
Fund balances:			
Restricted for:			
School infrastructure	194,565	-	194,565
Physical plant and equipment	-	131,554	131,554
Total fund balances	194,565	131,554	326,119
Total liabilities, deferred inflows of resources and fund balances	243,452	195,086	438,538

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	62,443	62,443
Other	1,824	207	2,031
State sources	330,872	34	330,906
Federal sources	-	107	107
Total revenues	<u>332,696</u>	<u>62,791</u>	<u>395,487</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	-	2,515	2,515
Transportation services	58,649	-	58,649
Other expenditures:			
Facilities acquisition	151,241	7,687	158,928
Total expenditures	<u>209,890</u>	<u>10,202</u>	<u>220,092</u>
Excess (deficiency) of revenues over (under) expenditures	122,806	52,589	175,395
Other financing sources (uses):			
Operating transfers out	<u>(190,173)</u>	<u>-</u>	<u>(190,173)</u>
Change in fund balance	(67,367)	52,589	(14,778)
Fund balances beginning of year	<u>261,932</u>	<u>78,965</u>	<u>340,897</u>
Fund balance end of year	<u>194,565</u>	<u>131,554</u>	<u>326,119</u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
KHS					
Class of 2012	605	-	605	-	-
Class of 2013	1,018	-	1,018	-	-
Class of 2014	2,114	33,487	34,771	-	830
Class of 2015	-	2,392	-	-	2,392
Art club	1,059	17	-	-	1,076
Annual	534	10,714	9,703	-	1,545
Boys basketball	561	132	370	-	323
Baseball	300	13	75	-	238
Girls basketball	45	890	407	-	528
Volleyball	676	1,374	1,163	1	888
Athletics	7,152	33,790	31,303	(477)	9,162
Band	1	933	1,092	158	-
Speech	404	4,133	3,106	(56)	1,375
Drama	5,771	2,519	3,314	(23)	4,953
Juice machine	3,232	2,566	3,204	(932)	1,662
Family and consumer science	1,140	3,070	3,588	25	647
Music parents	363	5,812	6,015	-	160
National Honor Society	1,049	441	626	(1)	863
Pep club	328	-	-	-	328
Spanish club	2,824	1,936	446	-	4,314
Student council	10	876	779	-	107
Talon newspaper	273	-	-	-	273
Weightlifting	283	9	-	-	292
Prom	1,473	1,449	2,169	-	753
FFA	362	5,841	4,418	(1)	1,784
Vocal music	373	1,791	1,870	-	294
LMS					
Athletics	-	21	2,016	1,995	-
Student council	101	-	98	-	3
Concessions	35	-	35	-	-
Magazine sales	6	2,038	1,287	(690)	67
Audubon Ark Adventure	144	15	139	1	21
Total	32,236	116,259	113,617	-	34,878

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	2,348,175	2,763,081	2,768,631	2,584,283	2,479,893	2,346,953	2,217,545	2,287,411	2,110,102	1,883,323
Tuition	249,217	234,350	208,728	193,731	161,113	167,374	129,721	85,388	56,451	36,030
Other	190,783	258,475	236,978	269,886	215,320	218,190	228,755	224,713	360,521	336,031
Intermediate sources	91	-	1,107	8,695	3,607	4,976	-	-	350	1,820
State sources	2,109,315	1,929,804	1,923,865	1,870,414	1,568,829	2,066,872	2,096,412	1,895,214	1,925,835	1,782,395
Federal sources	120,274	131,836	256,803	402,011	414,452	173,309	231,759	304,277	269,100	194,916
Total revenues	<u>5,017,855</u>	<u>5,317,546</u>	<u>5,396,112</u>	<u>5,329,020</u>	<u>4,843,214</u>	<u>4,977,674</u>	<u>4,904,192</u>	<u>4,797,003</u>	<u>4,722,359</u>	<u>4,234,515</u>
Expenditures:										
Instruction:										
Regular	1,786,406	1,810,598	1,765,173	1,842,336	1,821,127	1,834,727	1,841,036	1,813,272	1,781,150	1,491,721
Special	344,384	394,875	370,794	375,425	365,905	393,117	370,806	339,058	307,871	356,590
Other	623,728	657,503	641,530	555,387	608,184	455,561	504,077	528,051	432,610	489,739
Support services:										
Student	150,620	134,328	168,343	173,502	186,650	195,985	133,478	88,481	88,435	82,832
Instructional staff	191,971	130,936	98,090	102,118	58,382	145,331	150,029	174,453	266,487	155,797
Administration	420,976	395,734	474,043	399,482	407,208	444,116	386,997	373,817	410,312	422,530
Operation and maintenance	470,681	467,784	462,201	435,634	415,353	445,857	398,201	384,833	357,797	320,418
Transportation	294,878	317,324	294,700	322,110	307,315	283,111	382,069	336,681	365,943	343,822
Non-instructional programs	1,433	1,277	4,133	3,828	3,105	26,006	12,476	3,418	1,131	783
Other expenditures:										
Facilities acquisition	158,928	58,527	230,078	572,622	634,700	163,125	114,860	1,272,807	4,704,442	589,262
Long-term debt:										
Principal	4,675,000	380,000	345,000	320,000	230,000	215,000	210,000	200,000	95,000	-
Interest and other charges	247,153	249,370	212,144	224,174	224,151	198,514	206,914	215,014	312,667	-
AEA flowthrough	157,936	152,623	154,095	175,700	172,401	161,933	153,280	149,311	146,395	144,861
Total expenditures	<u>9,524,094</u>	<u>5,150,879</u>	<u>5,220,324</u>	<u>5,502,318</u>	<u>5,434,481</u>	<u>4,962,383</u>	<u>4,864,223</u>	<u>5,879,196</u>	<u>9,270,240</u>	<u>4,398,355</u>

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Eastern Allamakee Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eastern Allamakee Community School District and of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eastern Allamakee Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eastern Allamakee Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Eastern Allamakee Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 14-I-A and 14-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastern Allamakee Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Eastern Allamakee Community School District's Responses to Findings

Eastern Allamakee Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Eastern Allamakee Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eastern Allamakee Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 27, 2015

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

14-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, payroll processing, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

14-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- 14-II-A Certified Budget: Expenditures for the year ended June 30, 2014 did not exceed the amounts budgeted.
- 14-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 14-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 14-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 14-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 14-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 14-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 14-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 14-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 14-II-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- 14-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 14-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting (continued):

	\$	\$
Beginning balance		261,932
Revenues/transfers in:		
Statewide sales, services and use tax revenue	330,872	
Other local revenues	1,824	332,696
	<hr/>	
Expenditures/transfers out:		
School infrastructure construction	209,890	
Transfers to debt service fund	190,173	400,063
	<hr/>	<hr/>
Ending balance		194,565

14-II-M Deficit Balances: The District has a deficit unrestricted Net Position of \$7,943 in the School Nutrition Fund at June 30, 2014.

Recommendation: The District should continue to monitor this account and investigate alternatives to eliminate the deficit.

District Response: We are working on ways to eliminate the deficit.

Conclusion: Response accepted.